

0-730-6002-006	Mandela Park Housing Materials Loan Suspens 2003/04 730	3,028,111		3,019			3,031,130
0-730-6002-007	Mandela Park Builders Wages	706,633					706,633
0-730-6002-009	Mandela Park Transfer Fees	44,207					44,207
0-730-6003-001	Aberdeen Themba receipts Loan Suspens 2003/04 730	-3,561,310				-6,900	-3,568,210
0-730-6003-002	Aberdeen Themba Building Block	875,386					875,386
0-730-6003-003	Abd Themba Topstructure	2,540,652					2,540,652
0-730-6003-005	Abd Temba Establishment Grant	72,133					72,133
0-730-6003-006	Abd Temba Transfers	44,876					44,876
0-730-6003-007	Abd Temba Survey & Town Plan	11,821					11,821
0-730-6004-001	Receipts Eunice Kekana Loan Suspens 2003/04 730	-8,206,754				-20,500	-8,227,254
0-730-6004-002	Eunice Kekana Tool&Plant Hire	61,557					61,557
0-730-6004-003	Eunice Kekana Supervisi Wages	257,948					257,948
0-730-6004-004	Eunice Kekana Materials	6,168,194					6,168,194
0-730-6004-005	Eunice Kekana Labour	1,179,362					1,179,362
0-730-6004-006	Eunice Kekana Project Management	458,555					458,555
0-730-6004-007	Unice Kekana Transfer Fees	81,137					81,137
0-730-6005-001	Ext Filter Works Receipts	-1,819,884					-1,819,884
0-730-6005-002	Ext of Filter Works Expen Loan Suspens 2003/04 730	2,817,140		55,553			2,872,692
0-730-6005-003	Abd Settle Sewerage Receipts	-2,964,595					-2,964,595
0-730-6005-004	Aber Settle Sewerage Expend	3,223,673					3,223,673
0-730-6005-005	Nieu B Waterborn Sanit Receipt	-3,196,660					-3,196,660
0-730-6005-006	Nieu B Waterborn Sanit	2,297,784					2,297,784
0-730-6005-007	Project Management Unit	-108,810					-108,810
0-730-6005-008	Water Advance R1,685000.00	1,219,664					1,219,664
0-730-6005-009	Rec Road & SW Umazizake	-2,401,651					-2,401,651
0-730-6005-010	Exp Road & SW Umazizake	2,119,441					2,119,441
0-730-6005-011	PMU Roads & SW Umazisake Loan Suspens 2003/04 730	-55,073		6,485			-48,588
0-730-6005-012	Roads & Stormwater Kroonvale - Loan Suspens 2003/04 730	-2,161,932	2,915,624		-4,348,079		-3,594,388
0-730-6005-014	PMU Roads & Stormwater Umasiza Loan Suspens 2003/04 730	-800		151,480	-289,259		-138,579
0-730-6005-016	PMU 2009/2010 Expenditure Loan Suspens 2003/04 730	-		74,864			74,864
0-730-6005-018	MIG Water Treatm Works 09/10 P Loan Suspens 2003/04 730	-	1,131,280	-			1,131,280
2-719-6001-011	600 Houses -Aberdeen Subsidised Projects 719	2,262,975		157,566	52,510		2,368,031
2-719-6001-012	600 Houses -Aberdeen (Receipts Subsidised Projects 719	-2,409,125		-	45,190		-2,454,315
2-719-6001-022	Electrification 374 Erven (Rec	-53,661		-	-		-53,661
2-719-6001-023	Rehabilitation Street Lights	-31,594		-	-		-31,594
		-8,251,790	6,466,149	3,820,881	-12,650,929	-417,219	-11,228,309

## **B. ANNEXURES**

**B1. Full AG report**

**B2. Audit committee report**

**B3. Approved municipal structure**

**B4. Council resolutions adopting the annual report**



**REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE  
AND THE COUNCIL OF THE CAMDEBOO MUNICIPALITY ON THE FINANCIAL STATEMENTS  
AND PERFORMANCE INFORMATION OF CAMDEBOO MUNICIPALITY FOR THE YEAR  
ENDED 30 JUNE 2009**

**REPORT ON THE FINANCIAL STATEMENTS**

**INTRODUCTION**

1. I have audited the accompanying financial statements of the camdeboo municipality which comprise the balance sheet as at 30 june 2009, the income statement and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages [xx] to [xx].

**The accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the local government: municipal finance management act, 2003 (act no. 56 Of 2003) (mfma) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**The auditor-general's responsibility**

3. As required by section 188 of the constitution of the republic of south africa, 1996  
Read with section 4 of the public audit act, 2004 (act no. 25 Of 2004) (paa) and section 126(3) of the mfma, my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the international standards on auditing read with *general notice 616* of 2008, issued in government *gazette no. 31057 Of 15 may 2008*. Those standards require that i comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence i have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

7. In my opinion the financial statements of the camdeboo municipality as at 30 june 2009 have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1 and in the manner required by the mfma.

**Emphasis of matter.**

Without qualifying my opinion, i draw attention to the following matter:

**Basis of accounting**

8. The municipality's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in accounting policy note 1.



#### Other matters

Without qualifying my opinion, i draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

#### Unaudited supplementary schedules

9. The supplementary information as set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly i do not express an opinion thereon.

#### Governance framework

10. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the key governance responsibilities addressed below:

#### Key governance responsibilities

11. The mfma tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which i have assessed as follows:

No.	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
<b>Quality of financial statements and related management information</b>			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines in section 126 of the MFMA.	✓	
<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.	✓	
<b>Development and compliance with risk management, effective internal control and governance practices</b>			
6.	Audit committee		
	• The municipality had an audit committee in operation throughout the financial year.	✓	
	• The audit committee operates in accordance with approved, written terms of reference.	✓	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 162(2) of the MFMA.	✓	



7.	Internal audit		
	<ul style="list-style-type: none"> <li>The department had an internal audit function in operation throughout the financial year.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.</li> </ul>	✓	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	✓	
10.	The information systems were appropriate to facilitate the	✓	

No.	Matter	Y	N
	preparation of the financial statements.		
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA		✓
12.	Delegations of responsibility are in place, with "Powers and duties have been assigned" as set out in section 79 of the MFMA.	✓	
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	Oversight resolutions have been substantially implemented.	✓	
<b>Issues relating to the reporting of performance information</b>			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Camdeboo Municipality against its mandate, predetermined objectives, outputs, indicators and targets. (section 68 of the MFMA).		✓
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		✓



12. Management's attention is specifically drawn to the following control activities and key governance responsibilities which, according to the above table, have not been effectively addressed:

- The finance section has adequate skills and competencies which have been utilised effectively. However, the manual systems in place to facilitate the preparation of the financial statements were not subject to adequate monitoring and as a result material amendments had to be made to the financial statements after submission for auditing.

- During the course of the year management did not develop procedure manuals for the various financial cycles due to management not perceiving there to be a risk arising from the usage of non-approved documents and informal lines of reporting.

- Although the municipality conducted a risk assessment for the year under review a fraud prevention plan was only approved by the council during June 2009.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Report on performance information**

13. I was engaged to review the performance information.

#### **The accounting officer's responsibility for the performance information**

14. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

#### **The Auditor-General's responsibility**

15. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

16. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

17. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

### **Audit findings (performance information) Non-compliance with regulatory requirements Content of integrated development plan**

#### **Content of IDP**

18. The integrated development plan of the Camdeboo Municipality did not include the key performance indicators and performance targets as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

#### **Lack of adoption or implementation of a performance management system**

19. The Camdeboo Municipality did not adopt a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

#### **Usefulness and reliability of reported performance information**

20. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:

- Consistency - Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
- Relevance - Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability - Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

**The following audit findings relate to the above criteria: Inconsistently reported performance information**

21. The Camdeboo Municipality has not reported on its performance with regard to its indicators and targets as the approved integrated development plan did not include the key performance indicators and performance targets.

22. The information as submitted for audit purposes is materially inconsistent with the performance information included in the Annual performance report (to be included in the annual report). Material inconsistencies include the following:

- Areas/departments where performance information has been included in the annual performance, but not included in the performance information submitted for audit purposes:

- i. - HR Department key performance
- ii - Water Services key performance
- iii - Sanitation department key performance
- iv - Spatial planning
- v - Indigent policy implementation
- vi - Local economic development framework
- vii - Good governance and public participation

- Areas/departments where key performance indicators included in Annual performance report are not consistent with the information as submitted for the audit of performance information:

- i - Electricity Services
- ii - Housing and Town Planning
- iii - Municipal Viability and Management

#### **Appreciation**

23. The assistance rendered by the staff of the Camdeboo Municipality during the audit is sincerely appreciated.

*Auditor-General.*

East London  
28 November 2009





## RESPONSE TO AUDIT REPORT 2009

### RESPONSES TO THE AUDIT REPORT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2009

#### INTRODUCTION

In accordance with the Public Audit Act, No. 25 of 2004, Council has to consider the audit report within one month after its first sitting after the audit report has been submitted by the Auditor-General. (This meeting is in compliance with the provisions of the Act and has been advertised for 21 days. Members of the public have been invited to attend).

Detailed below are the responses, with reference to the paragraph numbering in the audit report:

#### EMPHASIS OF MATTER

##### 11. Key governance responsibilities

###### *Quality of financial statements and related management information*

2. The auditors highlighted several matters that were not presented correctly in the financial statements and had to be corrected in order to avoid a qualified audit opinion. In order to prevent or minimise these instances the 2009/2010 financial statements will be reviewed by an external institution before submission to the Auditor-General.

###### *Development and compliance with risk management, effective internal control and governance practices*

8. Attention will be given to the development of procedure manuals in order to formalise documentation in use, as well as lines of reporting.
11. The fraud prevention plan has been approved by Council during June 2009. It needs to be communicated to all levels of the organisation.

###### *Issues relating to the reporting of performance information*

18. The reviewed integrated development plan of the municipality does include performance indicators and targets for the 2009-2010 financial year. This was not included in the year under review.
19. The council adopted a Performance Management Framework (which is the system); The Performance Management Policy was also adopted and a Performance Evaluation Committee established during November 2009.
21. As stated in 18 above, these performance measures were not developed. The municipality only measured its performance against the capital budget. These will be in place during the current financial year.
22. The inconsistencies emanated from the fact that the annual report was not yet prepared when the performance information was submitted. When the annual report was prepared, it was done according to the newly proposed layout of the Department of Local Government and Traditional Affairs. Hence the initial submission of performance information differed substantially from the more complete and detailed information in the annual report. The chances for this to be repeated are unlikely.



J. Joubert  
DIRECTOR: FINANCE

14 January 2010





## AUDIT 2008/2009 IMPLEMENTATION PLAN

Audit matter raised	Management's response	Action to be taken	Person responsible	Timeframe
Material misstatements corrected during the audit.	The misstatements were Corrected in the AFS	AFS to be reviewed by Service provider before Submission to AG	Chief Financial Officer	August 2010
Irregular expenditure – Councillors paid in excess of Upper limits published in Gazette n. 31687 dated 8 December 2008	The irregular payment was disclosed in the AFS	Matter to be investigated by a council committee in line with MFMA	Municipal Manager	February/ March 2010
Accounting discipline – Suspense accounts not reconciled and cleared timely	Most of these were reconciled and resolved during the audit	Reconciliations to be done monthly	CFO Chief Accountant	January 2010
Management of risk	Ensure the ongoing monitoring and management of risk	-Risk assessment workshop to be done and management of risk to be reviewed ongoing by management; -Workshop Fraud Prevention Plan	Chief Financial Officer	Dec '09 - May '10 Ongoing
Deficiencies in the design and implementation of internal control	These deficiencies stem from the shortage of staff and the absence of procedure manuals	Filling of vacancies; Development of procedure manuals	Director: Corporate; Chief Financial Officer	January – June 2010
Inappropriate information systems to facilitate preparation of performance report	Although framework has been developed, systems are not in place	Appoint responsible official to facilitate processes and system	Municipal Manager	Jan-Feb 2010
Audit matter raised	Management's response	Action to be taken	Person responsible	Timeframe
Inadequate control processes and procedures designed to ensure accuracy and completeness of performance information	No personnel to perform this function	Appoint responsible official	Municipal Manager	Jan-Feb 2010
The approved strategic plan Did not include performance indicators and targets as required.	These were included in the reviewed IDP	Ensure that the indicators and targets comply with MSA and Performance Regulations	Municipal Manager & Service Provider IDP Officer	Jan-June 2010
Performance Management System is not functioning so that bonuses are paid after proper assessment and approval	System is partly Implemented in that a Framework is approved, but Information systems and personnel needed to drive the processes	To introduce systems and relevant resources	Municipal Manager & Service Provider	Jan-Jun 2010
Service Delivery and Budget Implementation Plan was not implemented	Performance was measured using the Capital budget. SDBIP was introduced in current year	Performance must be measured using the SDBIP	Municipal Manager; Mayor	Jan-Jun 2010

## **REPORT OF THE AUDIT COMMITTEE OF THE CAMDEBOO MUNICIPALITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

### **AUDIT COMMITTEE MEMBERS AND ATTENDANCE**

The Audit Committee has adopted appropriate formal terms of reference and consists of three Independent members, as listed hereunder, all of whom are chartered accountants.

During the financial year under review the following meetings were held:

<b>DATE OF MEETING</b>	<b>ATTENDED BY</b>
31 October 2008	All members were present.
20 February 2009	Ms. R. Blignaut was absent with apologies.
29 May 2009	All members were present.
20 Nov 2009	Mr. H.P. Botha was absent with apologies.

### **AUDIT COMMITTEE RESPONSIBILITIES**

The Audit Committee reports that it complied to the extent possible with its terms of reference and this fact has been verified by the Auditor-General.

### **OVERALL COMMENTS**

We are delighted to report that the municipality once again achieved an unqualified audit report for the financial year under review—in addition the municipality was rated by an independent body as being the best run municipality in South Africa. We offer our congratulations to the Mayor; the Council and of course to the Municipal Manager and his staff for these very fine achievements.

There remain a few items which need to be addressed going forward, including the implementation of an appropriate performance management system and we urge the municipality to address the issues raised by the Auditor General as soon as possible.

No instances of fraud or corruption were brought to our attention during the year under review.

We wish to take this opportunity to thank the Auditor-General and the internal auditors for their assistance and co-operation during the year under review.

Sincerely

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PROFESSOR DAVID ROSENBERG  
(CHAIRPERSON)